Itafos Inc.

Second Quarter 2025 Update Call

Monday, August 11, 2025, 04:30 PM ET

CORPORATE PARTICIPANTS

David Delaney--*Chief Executive Officer*

PRESENTATION

Operator
Hello, and welcome to the Itafos Inc. Second Quarter 2025 Update Call, a new feature where the company will provide recorded comments that recap the quarterly results, provide updates on the broader market and internal initiatives, and review key topics that are pertinent to investors in this space. A commentary in this recorded call is being made available as of Monday, August 11, 2025.

Additional details regarding the company's operations and financials are available in the press release issued August 6, as well as in the MD&A and financial statements filed with SEDAR on the same date, all of which are available in the Investor Relations section of the website.

With that, I would like to turn the call over to Itafos' CEO, David Delaney.

David Delaney
Thank you, Betsy. I am very excited about this new way for us to communicate with investors and tell the Itafos story. First off, our safety performance was excellent again during the quarter. We had no reportable incidents and our recordable rate stood at 0.47 on a rolling 12-month basis. We make a point to emphasize safety in all our operations and it's very satisfying to me to see that show up in our results on a consistent basis.

For the second quarter of 2025, Itafos generated revenues of $126.8 million, an increase of over $20 million from the same period last year, driven by higher sales volumes and realized prices of both Conda and Arraias. Adjusted EBITDA earned in the quarter of 31.8 million was slightly lower compared to second quarter 2024 with higher revenues being offset by higher input costs at Conda, particularly in relation to our key inputs of sulfur and sulfuric acid.

I would also like to highlight that due to the nature of our long-term MAP offtake agreement, where our MAP sales price is based on a three-month trailing market price, we have not completely benefited from the recent increase in fertilizer prices and that impact will be seen more fully in the third quarter. Our balance sheet remains rock-solid as we once again ended the quarter with essentially zero net debt and liquidity of nearly $180 million.

We are well positioned to continue to execute on our near-term capital projects and longer-term strategy. On an operational basis, Itafos recorded another successful quarter. At Conda, we completed our planned and annual short turnaround, where we took the plant down for 10 days in June for repairs and maintenance. That project was accomplished on time and on budget and the plant has been back up running at full levels since coming back online towards the middle of the second quarter.

We are making steady progress as we build out the rail and loading infrastructure at the new H1/NDR development and are on schedule for delivery of ore from North Dry Ridge in the second half of this year. We have advanced engineering work and received internal approvals for a front-end magnesium reduction project at Conda, which will allow us to maintain rate at the plant as we transition to the new ore from the Husky mine, which has a slightly higher magnesium content than we have been running from the Rasmussen Valley Mine.

We were forecasting to spend between 80 million and 95 million of growth CapEx in total on this project through the end of 2027. We also foresee the opportunity to increase SPA volumes with a new configuration and ore composition with those benefits potentially first seen during 2028.

Our exploration and appraisal program at Conda remains focused on identifying incremental resources with the aim of extending our mine life beyond the 2037 tenor outlined in a recent NI 43-101 report.

We believe there are opportunities to delineate additional resources at the current Husky 1 and North Dry Ridge leases as well as locating opportunities for longer-term mine life extension projects at Husky 3, Husky 4, and other nearby leases where we can leverage our existing infrastructure. We remain committed to staying ahead of the curve on the permitting and planning work that is required to keep the Conda operations running long into the future. The work associated with this program is progressing well with the active drilling in the second quarter of 2025.

At Arraias, our team continues to execute on our initiatives to optimize operations at the mine and plant and to meet the needs of the local market. We were able to take advantage of the higher sulfuric acid prices by producing more volume, driving an EBITDA increase of about 4 million this quarter versus the second quarter of last year. We reached another milestone with the initial production and sale of our granulated product. Our dry products have been very well received by farmers in the region.

With that, let me turn the call back to the operator who will help moderate a discussion of some of the most frequently asked questions we have received over the last few months.

QUESTION AND ANSWER

Operator
Thank you. The first topic to address is that fertilizer prices, specifically for phosphate, have been steadily increasing since the spring. Can you give a sense for what has been driving this and where you see prices going from here?

David Delaney
This is a topic that investors have been asking us about recently. MAP prices had fallen below $600 per short ton at the end of last year and stayed in that general range until about February. This trend changed around March as uncertainty surrounding U.S. tariff policy ramped up and it became increasingly clear that Chinese phosphate exports were going to be even more limited this year.

Since then, we've seen almost no phosphate fertilizer imports to the U.S. as the tariffs have kicked in and the current expectations for total DAP and MAP export from China in 2025 are for about half of the levels that we saw in 2024. As a result, MAP prices have increased to almost $800 per short ton on an FOB basis in New Orleans, which is the market of which our offtake agreement is priced. Looking ahead for the remainder of the year, it doesn't look like we will see much change on the supply side for phosphate.

Chinese exports have started up after almost no activity for the first five months of the year, but the most recent monthly data is still showing declines compared to the same periods last year. U.S. trade policy remains uncertain at best from an international trade perspective and countries that would traditionally send imports to the U.S., such as Saudi Arabia, Israel, Jordan, and Australia, can get better netbacks and other markets such as Brazil, India, or Ethiopia.

On the demand side, farmer affordability is becoming a larger issue, especially as we have seen crop prices decline in the early summer months despite low inventory and stocks-to-use levels outside of China. U.S. farmers have benefited from increased government support this year, but there are increasing indications that there will be more just-in-time fertilizer purchases as we get closer to application season as there is less impetus for farmers to store fertilizer inventory at these prices.

India came into the year with very low inventory levels after China cut off exports last year, and they remain buyers to satisfy domestic farmers' needs even as prices continue to increase. Brazil remains the fastest growing agricultural producer and has served as a preferred export market for a number of suppliers that traditionally would have sold into the U.S. or India.

Overall, the consensus expectations are that phosphate fertilizer prices should remain near the current levels with the lack of new supply offset by near-term delayed demand. We are seeing no indications that the typical summer reset will take place this year. Fertilizer prices are looking likely to stay at the current levels all the way to application season in the fall.

Over the medium term, we see limited new supply coming to the international markets as incremental capacity is increasingly expensive and takes a long time to come online. Morocco has some ability to push out additional product, but OCP is running near full utilization, so we wouldn't expect to see enough additional supply coming from Morocco to have a major impact on trade balances.

Incremental demand from non-traditional end markets such as LFP batteries will continue to take on an increasing share of total supply, so we see a very positive market fundamentals in this space over the next few years at least. And importantly for us, we are well-positioned to take advantage of the fundamentally strong market going forward.

Operator
You covered a lot of ground there, and to follow up on a related topic, what about on the raw materials/input side of the equation? Those costs have been increasing as well and had some impact on your operating margins this quarter. What is the outlook there?

David Delaney
Absolutely. We have seen some large spikes in raw material costs, especially sulfur. Vancouver sulfur prices averaged about $90 per ton last year and were about $160 at the beginning of this year before spiking to $270 per ton in the spring. We've seen prices come off the highs a bit, but they are still about three times higher than they were at this time last year.

We make about 40% of the sulfuric acid we use at Conda, and sulfur is the biggest input cost in that process by far. We purchased the rest of our sulfuric acid needs from Rio Tinto. Those prices haven't risen as quickly as spot sulfur, but they are well above a year ago levels as well.

These higher costs have negatively impacted our operating margins, especially in the second quarter, as we also haven't seen the full impact of the increase of MAP prices work their way through our income statement given the offtake agreement contract structure. The good news is it is looking like we will see relief on both the revenue and raw material cost sides in third quarter given the recent pricing trends. Arraias has benefited from the higher sulfur and sulfuric acid prices as seen by the EBITDA performance in this quarter.

Conclusion

Operator

Thank you, Dave. At this time, let me turn the call to you for your closing thoughts.

David Delaney
Yes. First off, thanks to everyone for listening. We're excited to try out this new medium to reach everyone interested in our stock and hopes this serves as a good way for you to keep up with the company. As I have mentioned previously, we are very bullish on the long-term prospects for Itafos.

We continue to deliver superior operating results in a safe manner and we are optimizing our assets to maximize operating cash flow and to take advantage of strong phosphate markets. We are well positioned for the future as we continue to develop new leases at Conda and work to create incremental resources through exploration and development work. We are delivering new products in Brazil as we continue to ramp up operations at the Arraias plant.

Our balance sheet is rock solid and combined with our liquidity, we have the financial flexibility to execute on our current plans, maintain the reliability of our assets, and develop new resources. Despite all these positives in the recent move, we believe our stock remains undervalued relative to our peers and we believe there's a lot of long-term value with an investment at current levels.

We remain focused on delivering value to our shareholders through our operations and are in constant dialogue with our Board of Directors as to how best to deliver that to investors over the long run beyond share price appreciation. Thank you all for your time and letting us tell you more about Itafos.

As we mentioned before, all of our press releases and regulatory filings can be found on the Investor Relations section of our website at Itafos.com along with our current investor presentation. If you have any questions or would like to schedule a call with management, please reach out to us through our Investor Relations email at investor@itafos.com. Thank you.

Operator
The call is now concluded. Thank you for attending today's presentation. You may now disconnect.